

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
1998 Biennial Regulatory Review –)	CC Docket No. 98-171
Streamlined Contributor Reporting)	
Requirements Associated with Administration)	
of Telecommunications Relay Service, North)	
American Numbering Plan, Local Number)	
Portability, and Universal Service Support)	
Mechanisms)	
)	
Telecommunications Services for Individuals)	CC Docket No. 90-571
with Hearing and Speech Disabilities, and the)	
Americans with Disabilities Act of 1990)	
)	
Administration of the North American)	CC Docket No. 92-237
Numbering Plan and North American)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution)	
Factor and Fund Size)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

REPLY

The National Exchange Carrier Association, Inc. (NECA) replies to comments in response to NECA's Petition for Reconsideration¹ of the Commission's December 13,

¹ National Exchange Carrier Association, Inc. *Petition for Reconsideration*, CC Docket No. 96-45 (filed Jan. 29, 2003) (*Petition*).

2002 *Report and Order* in the above-captioned proceeding.² NECA's request for reconsideration was limited to the Commission's annual true-up procedures for reconciling quarterly revenue projections with actual revenue reported on FCC Form 499-A.

In the *Petition*, NECA proposed that instead of a single annual true-up, the Commission adopt an alternate quarterly true-up mechanism in which a contributor's quarterly revenue projections are compared to the corresponding quarter's actual revenues.³ NECA pointed out that the Commission's mechanism as adopted in the *Report and Order* appears to penalize contributors by imposing either a refund deficit or contribution overpayment unless contributors are able to forecast collected end user interstate and international telecommunications revenues with 100% accuracy.⁴

Commenters addressing this issue all support NECA's request that the Commission modify its true-up procedures to provide for a quarterly true-up process,

² Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, *Report and Order*, 17 FCC Rcd 24952 (2002) (*Report and Order*).

³ *Petition* at 4.

⁴ *Id.* at 3. NECA explained that the true-up mechanism may have been reasonable under the prior methodology because contributors could be expected to report actual accrued revenues accurately, it is now more difficult for contributors to forecast revenues accurately.

which would avoid contributor penalties for inevitable forecasting errors.⁵ Sprint and Worldcom shared NECA's concern about the inherent difficulty of forecasting, and agreed with NECA that it is much more difficult for carriers to forecast revenues accurately than it is to provide actual revenue information as carriers did under the previous system.⁶ AT&T agreed with NECA that the Commission should eliminate the punitive aspect of the current computation of carrier underpayments and overpayments.⁷ Verizon also agreed with NECA's argument that using quarterly true-ups would not impose any additional reporting requirements on carriers, and would benefit the carriers by reducing the possible penalty they could incur after a full year of compounding any significant errors in quarterly forecasts.⁸ Verizon further stated that quarterly true-ups would provide a more stable cash flow for universal service funding programs than a single annual true-up.⁹

Conclusion

Current rules governing errors in calculating contributions have become outdated as the result of moving to a forecast-based contribution mechanism. Commenters agree that it is unreasonable to penalize contributors for failing to forecast revenues with 100% accuracy. NECA's proposed contribution true-up mechanism, supported by all parties commenting on the issue, would resolve this problem with little or no administrative

⁵ *Verizon Comments*, CC Docket No. 96-45 (filed Feb 27, 2003), *Worldcom Comments*, CC Docket No. 96-45 (filed Feb. 27, 2003), *AT&T Comments*, CC Docket No. 96-45 (filed Feb. 27, 2003), *Sprint Comments*, CC Docket No. 96-45 (filed Feb. 27, 2003).

⁶ *Worldcom Comments* at 8, *Sprint Comments* at 8.

⁷ *AT&T Comments* at 8; *See also*, *Worldcom Comments* at 8.

⁸ *Verizon Comments* at 6.

⁹ *Id.* at 5.

burden placed on carriers or the administrator. Accordingly, the Commission should grant NECA's *Petition*.

Respectfully submitted,

NATIONAL EXCHANGE CARRIER
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March 10, 2003

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CERTIFICATE OF SERVICE

I hereby certify that a copy of NECA's Reply was served on this 10th day of March 2003 by electronic delivery or by first-class mail to the persons listed below.

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